Dissertation proposal

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Business-NGO Tandems and Corporate Social Performance: Creating or Destroying Stakeholder Value?

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Abstract

The number of partnerships between businesses and non-governmental organizations (NGOs) is growing exponentially. Businesses cooperate with NGOs as part of their stakeholder engagement strategies claiming that they fairly balance stakeholders’ interests by assigning equal value to each stakeholder group and not just shareholders. Nonetheless, considering the number and amount of firm resources expended on partnerships with NGOs, it is worth examining whether firms adhere to such balance or have instrumental or philanthropic motives behind partnering with NGOs.

I propose to examine the relationship between business-NGO partnerships and the fair balance of stakeholders’ interests within the theoretical framework of stakeholder management. Balancing stakeholders’ interests will be examined through corporate social performance, operationalized as the degree of stakeholder satisfaction. Stakeholder satisfaction indices for stakeholder groups of a sample of the 2012 Fortune Global 500 list of the world’s largest firms will be calculated, and subsequently regression analyses will be conducted to find an association between stakeholder satisfaction levels and partnerships with NGOs.

Moreover, considering the context-contingent nature of corporate social responsibility practices, partnerships in developing and developed countries will be analyzed separately in order to discern any differences in stakeholder management practices.

The theoretical aim of this study is to contribute to the improvement of stakeholder management theory while the empirical aim is to enhance the managerial practice of handling a partnership with an NGO.
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1. Introduction

At the 1999 World Economic Forum in Davos, UN Secretary-General Kofi Annan called on world business leaders to reconcile private entrepreneurial forces with the needs of the disadvantaged and future generations. Stressing the importance of cross-sector partnerships for sustainable development, Annan’s ideas implied the cooperation of businesses, civil society, and international institutions to find ways to make a free and open market system stable and social. Since then, the number of these cross-sector partnerships has grown exponentially with cross-sector activism eventually labeled ‘the collaborative paradigm of the twenty-first century’ (Austin 2000).

In the business world, the conventional view of the firm as a profit-generating machine has come under fierce criticism as more and more companies began to shoulder their social responsibilities in light of highly complex global challenges. As of 2010, 96 per cent of the top 100 firms in the world were involved in cross-sector partnerships with the total number of various collaboration projects reaching 1,753 (The Partnerships Resource Centre (PrC), 2011). Thus most major business actors include cross-sector partnerships in their stakeholder engagement models as a way to create, increase, and sustain value for a wide range of their stakeholders. Corporate social responsibility (CSR) is slowly turning into corporate societal responsibility as the implementation of stakeholder-based obligations acquires a more sophisticated and inter-active rather than reactive or simply active dimension (PrC, 2011).

One prominent type of cross-sector partnerships formed by businesses is that formed with non-governmental organizations (NGOs), which are oftentimes win-win games despite the partners’
divergent ideological stances. Numerous stories of successful business-NGO tandems such as those between FedEx and the Environmental Defense Fund, Johnson Controls and Clinton Climate Initiative show startlingly excellent outcomes. Business-NGO tandems, however, are not always triumphant and may translate into value-decreasing or, worse, value-destroying outcomes in an organizational context. Examples of failed partnerships such as those between Help Self Help Centre (HSHC) and Solarix, Loblaw and Pollution Probe seem to confirm the potential risks associated with business-NGO interplay.

If successful collaboration (the one that has achieved its intended goals) can help the firm improve corporate performance and maximize stakeholders’ value, and if failed collaboration can result in value-destroying outcomes, it seems critical to investigate the impact of collaboration with an NGO on firm’s social performance. The objective of this research is to assess the relevance of strengthened business-NGO relationships to corporate social performance (CSP), indicative of the balance of all stakeholders of the firm. Furthermore, considering the globalized but also context-dependent nature of the CSR movement, it needs to be discussed both in developing and developed country contexts, which is currently not done in the international business and management studies. For this purpose, a comparative analysis between business-NGO and purely business modus operandi of CSR both in the developing and developed country contexts will be conducted. This thesis does not seek to question the indispensability of responsible stakeholder treatment and fulfillment of ethical obligations, as those are normatively justified, but rather to understand whether partnerships with NGOs are functional to the fair balance of stakeholders.
2. Literature review

CSR is a highly interdisciplinary concept as it deals with discretionary, ethical, legal, and economic responsibilities of the firm at the same time (Carroll, 1979). Moreover, it is a concept contingent on a context, in which the firm operates, and, therefore, often defined broadly and subjectively. This is why the academic literature on CSR is abundant: scholars of various academic disciplines engage in multiple debates with important implications for such disciplines as business ethics, management studies, political economy, and law. Of relevance to this research proposal is the discipline of management studies, where one can easily pin down the baseline of the most vociferous CSR debate: the concern about legitimacy and necessity of CSR.

This section systematically analyzes the three strands of literature: the strand on the changed notion of a corporation, the debate over the (non)-normative character of CSR, and the strand on the business-NGO collaboration. The key objective of this literature review is twofold: to relate the proposed study to the relevant strand of literature and to show the gap to be filled by the study.

2.1. Changing concept of business

The notion of CSR is primarily about a cardinal change in the business-society relationship (Higgins, 2010). In order to study it, then, it is necessary to trace the origins of this change.

The view of business as a profit-generating machine in the aftermath of the Second Industrial Revolution started facing trenchant criticisms as early as in 1916 when John Maurice Clark inquired into the changeover in businesses’ obligations to society in light of the challenges posed by capitalism. Arguing for more transparency and accountability in corporations, Clark (1916) was chiefly concerned with the concentration of wealth in capitalists’ hands and their obligations
that are oftentimes beyond their power to fulfill. Similar concerns can be discerned in later writings in the 1920s and 1930s as a response to the excessive use of corporate wealth and power in the American market then dominated by a few large corporations as well as to such shareholder-biased cases as ‘Dodge vs Ford Motor Company’.1 (Berle, 1926, 1931; Berle and Means, 1932; Dodd, 1932, 1935; Ripley, 1927).

A crucial shift in the notion of a corporation has come out of the prominent Berle-Dodd debate over the breadth of corporate managers’ responsibilities. In an article ‘Corporate Powers as Powers in Trust’, Adolf Berle (1931: 1049) asserted that “all powers granted to a corporation or to the management of a corporation, or to any group within the corporation, whether derived from statute or charter or both, are necessarily and at all times exercisable only for the ratable benefit of all the shareholders as their interest appears.” A year later Merrick Dodd in his article titled ‘For Whom Are Corporate Managers Trustees?’ explicitly disagreed with Berle contending that as it is public opinion that forms law, apart from conducting profit-making activities a company must also recognize its duties to society. Berle, in his turn, with the inception of the separation between ownership and control, in his joint work with Gardiner Means, revisited his position by conceding that as firms possess large assets, they in theory should have obligations to the community (Berle and Means, 1932). In a posterior study, Berle (1954) acknowledged that the argument between him and Dodd had been settled in favor of the latter by claiming that corporate powers are accountable to the entire community rather than solely to shareholders.

1 In 1916, there was a revolt of shareholders led by brothers Dodge against Ford Motor Company as the former were unsatisfied with the capital surplus invested in the production development rather than in the growth of dividends. Desiring to spread the benefits of industrial success by expanding the manufacture and hiring more people, the founder of the company, Henry Ford, had to appear before the Michigan Supreme Court which ruled out that the company’s assets have to primarily benefit its shareholders. Based on the Court’s decision, the shareholders had been assigned extra dividends.
This was an eminent turning point in the academic literature on corporate power that for the first time earnestly challenged the conventional understanding of a corporation and its duties. The debate has played a great role in the development of accounting and financial reporting in business around the globe (Macintosh, 1999).

Interestingly, a corresponding dichotomy is found in the contemporary CSR debate, namely the normative and non-normative views of the CSR phenomenon. Whilst the non-normative perspective views CSR as either a philanthropic activity or an instrument to maximize profit, the normative approach holds that firms ought to shoulder social responsibility as a norm. Below I closely examine the two perspectives.

2.2. Non-normative views vs. normative view

Non-normative views

Philanthropic perspective

The most skeptical non-normative view of CSR is set forth by Milton Friedman. Based on the neoliberal idea that CSR practices may divert business focus from primary economic objectives, Friedman (1962, 1970) famously claimed that there is only one social responsibility of business: to use its resources and energies for actions leading to increased profits provided that such actions fall within the established legal norms. He argued that it is primarily a responsibility of the government, society, and individuals to seek funds to address standing social issues. If managers believe that they should be responsible to the community and must assist it, they are free to do so privately by spending their own funds.
This rather “dismissive” view of CSR is also supported by Greenfield (2004) who maintains that the way CSR is currently used emphasizes the very irresponsibility of business; and a responsibility in general is something to be shouldered by individuals rather than legal entities. Business ethics is hence viewed by Greenfield as an oxymoron. In sum, the philanthropic view of CSR, also called a traditional economic perspective (McGuire, 1969; Windsor, 2006), explains CSR as an act of philanthropy conducted by altruistic managers who misappropriate corporate funds in a way that contrasts with the profit-maximizing business rationale.

Instrumental perspective

Another non-normative view of CSR is an instrumental approach which generally presupposes enlightened self-interest and the view of CSR as corporate social responsiveness. McWilliams and Siegel (2001), for instance, consider CSR to be a social attribute and reveal that in equilibrium there is generally no relationship between CSR and profitability. The firm could gain higher revenues by assigning such an attribute to its good but it will simultaneously incur higher costs. Similarly, Burke and Logsdon (1996) assign long-term investment features to CSR and maintain that if aimed at turning social issues into business opportunities, CSR practices can yield long-term advantages. Supporting the same view, Heal (2005) claims that CSR might be an essential attribute of the long-run profitability contributing to risk management through apt stakeholder management (improving staff morale, mitigating social-corporate disputes, and so on).

Normative view

Many writings on CSR oppose the view set forth by Friedman and favor the postulate of expanded business responsibilities. The normative view essentially holds that the firm has
obligations extending beyond narrow economic and legal requirements and should contribute to the resolution of standing social issues (McGuire, 1963; Heald, 1970; Davis, 1973; Brown, 1979; Davis and Frederick, 1984; Freeman, 1990; Sacconi, 2008, 2010).

The most trenchant critique to Friedman’s view appeared in 1984 when Freeman proposed a theory of stakeholder management, thus initiating the famous ‘Freeman-Friedman’ debate. Freeman’s theory holds that the company’s objective is to harmonize the interests of stakeholders defined as any individuals, groups or organizations that may affect or be affected by corporate decisions (Freeman, 1984, Freeman and Evan, 1990). Since then, the notion of stakeholder has been widely used in both defining CSR (Sacconi, 2008, 2010) and evaluating CSP (Wood, 1991, Clarkson, 1995).

Supporters of the normative view justify expanded business responsibilities using liberalism, namely the Rawls’s theory of justice, libertarianism, and feminist ethics. The Rawls’s theory of justice is of relevance to the proposed study and is explored in more detail below.

The Rawlsian justification for CSR, or a social contract view, is based on the premise that a Rawlsian social contract can solve the normative equilibrium selection problem – choosing rules conforming to the basic principles of impersonality, impartiality, and empathy, thereby resulting in the egalitarian solution (Sacconi, 2010). In a social contract, players’ ex ante awareness of the details of their own situation and that of others can lead to ex post biased decisions. In light of this problem, Rawls came up with an analytical tool called the “veil of ignorance” presupposing players of a bargaining game abstracting themselves from the peculiarities of their and other players’ social status. An important result of the introduction of the “veil of ignorance” is that it
facilitates the reaching of consensus on a set of moral norms by depriving players of the opportunity to make biased decisions on the basis of irrelevant information. Under such conditions, the equality of stakeholders’ moral rights can be achieved. Through the analysis of game theoretical models and experiments it has been revealed that the Rawlsian social contract plays four roles in the normative justification of CSR (Sacconi, 2010):

1. The cognitive-constructive role explaining the choice of firm’s behavior in relation to its stakeholders;

2. The normative role predicting the pattern of interaction chosen by the firm and its stakeholders \(ex \ ante\) from the set of possible equilibria to be carried out \(ex \ post\);

3. The motivational role predicting which and how many equilibrium patterns of behavior \(ex \ post\) chosen by firm with relation to its stakeholders would retain their motivational force (provided that firm and stakeholders agreed \(ex \ ante\) on a CSR norm);

4. The cognitive-predictive role explaining how the \(ex \ ante\) agreement on a CSR norm affects the belief formation process whereby the firm and its stakeholders cognitively agree upon a system of mutually consistent expectations in an \(ex \ post\) phase of interaction.

Such agreement on a CSR norm is also in line with the theory of conformist preference (Grimalda and Sacconi, 2005) which explains why the \(ex \ ante\) interaction phase may lead to egalitarian solutions. The theory maintains that economic agents are motivated not only by consequentialist selfish interests, but also by “conformist” preferences, namely the intrinsic motivation to act according to the agreed principles if such action is reciprocal (Sacconi and Faillo, 2009: 177). The theory has been tested through the experiment of the “exclusion game”,
in which at the first stage participants acted selfishly, but at the second stage conformed to the Rawlsian rule of distributive justice (Sacconi and Faillo, 2009).

The feminist ethics justification is based on the premise that the feminist approach to ethics and morality as opposed to the traditional one views human beings through a relativistic rather than individualistic lens. Traditional ethics puts emphasis on the individual self and views “others” as threats while feminist ethics maintains that the emphasis on relationships highlights human’s moral worth (Dunn and Burton, 1996). The feminist view of morality can thus ground decision-making in a stakeholder model as the latter is primarily about managing relationships (Burton and Dunn, 1996; Wicks et al., 1994).

Libertarianism by emphasizing personal freedom essentially holds that the state has no right to take away something from free individuals in favor of others, even with the purpose of achieving equal income distribution. The libertarian argument for expanded business responsibilities has been put forward by Freeman and Phillips (2002) who maintained that despite the fact that libertarianism is put in stark contrast with liberalism, a typical libertarian argument is much in line with stakeholder theory because both the libertarian account and stakeholder theory rely on the equal liberty principle, the negative rights including property rights, and people’s responsibility for their actions. Indeed, Rawls’ first principle of justice holding that each person has an equal right to basic liberty conforms to the libertarian postulate (Freeman and Phillips, 2002).

Simultaneously, scholars belonging to the normative camp have attempted to disprove the moral justification of rivalry stockholder theory. Donaldson and Preston (1995), focusing on this issue,
argued that the moral justification of stockholder theory, namely property rights theory, actually favors the stakeholder-centric approach. The scholars referred to Pejovich who emphasized that property rights are based on human rights as the former contain restrictions to the harmful use of people and hence implies care for the external agents (stakeholders) (Pejovich, 1990 cited in Donaldson and Preston, 1995).

2.3. Business-NGO Partnerships

The mainstream literature on business-NGO interactions can be split along the duality stemming from the non-normative/normative debate over CSR: if firms consider CSR an act of philanthropy or a mere profit-maximizing tool in the long run, managers will not assume responsibility for social issues and hence engage with NGOs to a much lesser extent.

These views alongside with a rather narrow strand of literature dealing with the linkage between stakeholder management and CSP are examined below.

The non-normative perspective does not provide a robust analytical framework for explaining business-NGO activism because of its skeptical view of the necessity for partnering with NGOs in the first place. For instance, Rondinelli and London (2003) observe that multiple cross-organizational partnerships cannot substitute for effective internal operations while Greenfield (2004: 26) radically asserts that companies and NGOs should stop partnering and teaching people what is good. Supporting the philanthropic view, Baron (2009), for instance, contends that NGOs are relevant when there is a market for private politics, in which NGOs serve as mediators between consumers and businesses. He explains NGO-business cooperation as a
consequence of the NGO activism, which can lead to a ‘private ordering’ taking place without the involvement of public institutions. The pre-interaction phase is a political game, in which firms and NGOs engage in an informational competition for consumers’ support through mass media. This phase turns into a bargaining game which may be resolved by the formation of a partnership - a ‘private ordering’ functioning as a non-public equilibrium institution.

In accordance with the instrumental view, partnerships can be formed because NGOs can pose serious threats to corporations (Heal, 2005). Aggressive NGOs, according to Heal (2005), can boost a conflict with a society and thereby diminish earnings and share prices. He shows that Nike has experienced serious reputation problems when NGOs revealed that it pays low wages to its employees in developing countries while Shell had a loss of sales in Europe during the dispute over the Brent Spar oil buoy (Heal, 2005).

The normative approach views collaboration with NGOs as the fulfillment of firm’s fiduciary duties toward NGOs as a stakeholder per se and/or stakeholder(s) that NGOs represent. It does not deny that NGOs can be threatening to firm reputation and long-term profit-maximization, but it maintains that partnerships carry a normative character (Smith, 2003). Again, such normative view can be justified by the social contract approach to CSR: a sense of justice emerges that induces firms to partner with NGOs for intrinsic and not only egoistic motivations. At the same time, NGOs can be similarly motivated and may induce a high level of CSR implementation not because of consumer preferences or financial benefits but because of the sense of justice.
With regards to the studies of CSP models, scholars were mostly concerned with the degree of firm’s responsiveness to external stakeholders rather than the impact of such response on other stakeholders. Mitchell, Wood, and Agle (1997) propose a model of stakeholder salience arguing that power, legitimacy, and urgency are the three features, which make stakeholders salient, and managers must attend to power and urgency in order to serve legitimate interests of stakeholders. Eesley and Lenox (2006) test this model by analyzing 600 secondary stakeholder actions in the US and show that the secondary stakeholder claims are actively attended to when such stakeholders possess greater power than the targeted firm and hence their requests are considered more legitimate.

It thus becomes clear that balancing stakeholders’ interests by assigning equal value to each of their interests is a cumbersome process. Considering the exponentially increasing managerial attention to NGOs’ interests, it would be interesting to understand how this process affects value creation across various stakeholder groups. This issue, however, has not been properly addressed in the mainstream literature.

3. Researchable problem

After scrutinizing the literature on CSR and business-NGO interplay it is clear that the duality reflected in the most vociferous CSR debate over its normative versus non-normative character (CSR as philanthropy or a profit-maximizing tool as opposed to CSR as a norm) is mirrored in the debate over the necessity to partner with an NGO. The normative view provides an extensive explanation and moral grounding for business-NGO partnerships through stakeholder theory. It holds that partnering with NGOs is part of stakeholder management and should not decrease value allocated to other stakeholders. Nonetheless given the instrumental arguments that the role
of NGOs can be functional to profit-maximization, it would be intriguing to see how stakeholders’ interests can be balanced within the context of collaboration with NGOs.

Associating a partnership with an NGO with the responsible stakeholder management, the business firm expends a number of resources on such interaction. But how can a company make sure that by spending large amounts of a variety of resources on attending to NGOs’ interests it can simultaneously maximize the value for other not less important stakeholders? Indeed, moral management is often not coincident with value maximization because of the cost of addressing the externality (Baron, 2009). There is a need, therefore, to understand how the value creation process for NGOs affects other stakeholders. Thus, the first research question of the proposed study is:

**RQ1:** What is the impact of collaborating with an NGO on the fair balance of stakeholder interests?

Furthermore, there is a lack of comparative studies of CSR across developing and developed country contexts. Between 1997 and 2008, only 15.9% of scientific articles in leading academic journals of business and society relations, international business and management studies focused on business-NGO relationships in an international context (cross-border or regional level) whilst studies on the relationship in a local context covered mostly developed countries (Kourula and Laasonen, 2010: 43-44). This underlines the need for a comparative scientific inquiry into the association between cross-sector business-NGO collaboration and CSP in both developing and developed country contexts. Thus, the second research question to be pursued is:
RQ2: To what extent CSP (operationalized as the degree of stakeholder satisfaction) of firms collaborating with NGOs in developing countries will be different from that in developed countries?
4. Methodology

4.1. Theoretical framework and hypotheses

The proposed study will follow the framework of stakeholder management theory which views the company as a nexus of stakeholders. It holds that the purpose of the company is to balance their interests as well as create, maximize, and sustain their value. It is clear from the literature review that collaborative activities between businesses and NGOs are related to stakeholder engagement strategies. The following four theses of stakeholder theory further clarify the theoretical framework of the proposed study (Donaldson and Preston, 1995: 66-67):

1. Stakeholder theory describes the firm as a nexus of cooperative and competing interests which are of an intrinsic value to the firm, and descriptive propositions of the theory (but not its normative foundation) can be tested against instrumental claims;

2. Stakeholder theory assigns the function of the balanced stakeholder management to successful corporate performance;

3. Stakeholder theory is normative: stakeholders’ interests are legitimate. Each interest carries an intrinsic value for the firm and not because it can promote interests of another stakeholder group, e.g. shareholders;

4. Stakeholder theory prescribes certain managerial behavioral patterns, namely simultaneous attention to the legitimate interests of all relevant stakeholders in the formulation of general policies as well as on a case-by-case basis.

It is thus established that the normative foundation of the theory cannot be tested, which is not problematic, since the proposed study does not seek to question the very necessity of equally
engaging with stakeholders. The research questions will rather operate at a descriptive level of the theory and seek to test its relevance against instrumental claims in the context of a partnership with an NGO. The following hypothesis can be thus formulated:

**Hypothesis 1.** There will be a difference in the balance of stakeholders’ interests in years in which a company partnered with an NGO compared to years in which it did not.

However, it should however be mentioned that stakeholder theory is too broad: empirical evidence suggests that firms behave differently under different economic, social, and political conditions. Newell (2005), for instance, persuasively argues that CSR is not a ‘one-size-fits-all’ initiative as company’s environmental and social obligations must be *locally* relevant in the first place. Extensive empirical evidence of a highly context-dependent essence of CSR has been provided by Frynas (2009), who after analyzing 20 extracting companies in developing countries concluded that managers must keep in mind that social and political conditions are not universal, and CSR initiatives accordingly should be modeled accordingly. Analyzing data from 561 firms located in 15 countries on 5 continents Waldman et al. (2006) reveal that CSR is a multi-dimensional construct comprising shareholders, stakeholders, and communities. They find that in wealthier countries managers tend to be more shareholder-focused rather than stakeholder-focused and hence engage with communities less than in relatively poor countries. It thus can be hypothesized that:

**Hypothesis 2.** Stakeholders as a result of a partnership with an NGO will be treated differently in developing and developed countries.
4.2. Defining Key Concepts

*Stakeholders* in the proposed study should be understood as “the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers” (Post, Preston, and Sachs, 2002: 8). Stakeholders can be further divided into primary and mostly internal stakeholders – shareholders, investors, bondholders, employees, customers, and suppliers; and secondary and mostly external stakeholders – interest groups, civil society organizations, and the media.

*NGOs* are defined as any formal non-for-profit voluntary association promoting certain common goals at the national, international or global levels (Teegan et al., 2004).

*Partnership* is defined here as a non-statutory collaboration between a business firm and an NGO based on some sort of sharing (resources, risks, costs and/or benefits) generally established to reach sustainable development goals at strategic and/or operational levels (Accenture, The Partnering Initiative, and World Vision, 2008: 6).

### 4.3. Operationalizing CSP

Scholarly discussion does not come to consensus on the operationalization of CSP: unsurprisingly the ‘shareholder-stakeholder’ dichotomy is reflected in this discussion as well.

*Shareholder-based operationalization*

One of the most prominent modes of operationalizing CSP is based on the conceptual CSR pyramid developed by Carroll (1979) who has divided CSR into discretionary, ethical, legal, and economic responsibilities of the firm with the latter being the primary responsibility. He further
built a ‘CSP cube’ with three dimensions. The first dimension included a four-level hierarchy of firms’ social responsibilities (in ascending order): discretionary, ethical, legal, and economic responsibilities. The second dimension reflected the philosophy of social responsiveness (firm’s capacity to respond to social pressures) divided into reactive, defensive, accommodational, and proactive approaches. Finally, the third dimension involved social issues concerning business operations: consumerism, environment, discrimination, product safety, occupational safety, and shareholders. These dimensions were further labeled principles, processes, and policies respectively by Wartick and Cochran (1985) who upgraded Carroll’s model by adding such policies as issue identification, issue analysis, and response development.

Such operationalization of CSP seems to be inappropriate for the proposed analysis as it is based on the premise that the main responsibility of the firm is to fulfill its economic duty toward society through generating profit and hence does not presuppose expanded business responsibilities.

Stakeholder-based evaluations

Reviewing the existing measures of CSP, Wood (1991) concluded that business actions have consequences both for society and the company itself and hence any conceptualization of CSP is to rest upon normative as opposed to non-normative postulates. Her principles of CSR included the categories of managerial discretion, public responsibility, and legitimacy, which was in stark contrast with Carroll’s principles mainly because of the ‘legitimacy principle’ which held that if businesses abuse power shifted to them by society, they risk losing that power. The processes of social responsiveness did not conform to those developed by Carroll and Wartick and Cochran,
but were rather more specific by covering environmental scanning, stakeholder management, and issue management (Wood, 1991, 2010). Finally, and most critically, Wood has replaced the category of ‘policies’ with that of ‘outcomes and impacts’ involving effects on people and organizations, effects on environment, and effects on social systems and institutions. In short, CSP in Wood’s framework, “is a set of descriptive categorizations of business activity, focusing on the impacts and outcomes for society, stakeholders and the firm.” (Wood, 2010: 54) Such shift to the stakeholder-oriented evaluation of social performance outcomes was further justified by Clarkson (1995). After analyzing policies programs and issues relevant to CSP of more than 50 corporations in Canada, Clarkson (1995) found out that managers do not think in terms of social responsibility or responsiveness, social issues or performance, but rather in terms of stakeholder issues. He notes that as managers have been trained in management of various processes such as production, marketing, and human resources, they understand the concept of responsibility in terms of such processes, which include dealing with a range of relationships in the first place (Clarkson, 1995). Clarkson thus concluded that a viable approach to evaluating CSP should include categories classified in terms of management of relationships with stakeholder groups. He came up with the inventory of 50 stakeholder issues providing “a uniform entry and coding system”, which is “central to the organization of the data in each study for the computerized database” organized into four areas: description, performance data, evaluation, and analysis (Clarkson, 1995: 99) (see the appendix).
5. Research design

Based on the premise that “refocusing on stakeholders and society is a way to discover results that will be truly meaningful to corporate managers and their many stakeholders” (Wood, 2010: 76), the proposed research will follow the stakeholder-based measurement of CSP. As outcomes of CSP can be measured, and these outcomes are primarily about the duly management of stakeholders, what seems to be imperative, then, is the extent of their satisfaction. The latter can be measured by the Stakeholder Satisfaction Index (SSI) - a score indicative of the firm’s corporate social behavior developed by ten Pierick, Beekman, van der Weele, Meeusen, and de Graaff (2004) based on Clarkson’s (1995) findings.

5.1. Population and sample

There is no readily available list of business-NGO partnerships which could serve as a target population. For this reason, such a list will be compiled using the 2012 Fortune’s Global 500 largest companies of the world. Given the large size of the population, only the top 100 companies will be used to detect a target population. It has been determined that 80 out of top 100 companies have identifiable partnerships: 48 in developing countries and 32 in developed countries, which will form two target populations. For each population there will be drawn a random sample representing half of the population.
5.2. Data collection

*Independent variable*, the occurrence of a partnership with an NGO, is a dummy variable (1 if partnership occurred, and 0 if it did not). Information on the occurrence of a partnership will be collected using companies’ official websites and CSR reports.

*Dependent variable*, the Stakeholder Satisfaction Index (SSI), representative of CSP, will be calculated for each stakeholder group of all sample units. The calculation of the SSI is a stepwise approach. CSP of firms will be evaluated before, during, and after cooperating with NGOs. Shortly, as depicted by Pierick et al. (2004), the following stepwise approach will be used:

1. Identification of stakeholders and their interests using Clarkson’s (1991) entry of stakeholder issues.

2. Assessment of the extent of satisfaction per stakeholder/interest combination using data to be collected through stakeholder satisfaction surveys and the Kinder, Lydenberg, and Domini (KLD) database 1. Stakeholders will be asked to rate their level of satisfaction with a certain interest \(S_{ij}\).

3. Assessment of the relative importance per stakeholder group interest through stakeholder satisfaction surveys. Stakeholders will be asked to rate the importance of a certain interest to managers \(W_{ij}\).

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1KLD is an independent social research agency calculating social performance indices mainly for institutional investors, but also for research purposes. The major advantage of this database is that it provides objective information on companies’ CSR initiatives.
4. Calculation of the total score per stakeholder group using the following formula:

\[ TS_i = \sum (S_{ij} \times W_{ij}) \]

where:

- \( TS_i \) - total score per stakeholder group \( i \);
- \( S_{ij} \) - score for the level of satisfaction regarding an interest \( j \) per stakeholder group \( i \);
- \( W_{ij} \) - weight of the importance of interest \( j \) to managers of stakeholder group \( i \).

5. Calculation of the overall SSI per firm using the following formula:

\[ SSI = \frac{\sum TS_i}{n} \]

where:

- \( SSI \) - Stakeholder Satisfaction Index;
- \( TS_i \) - total score for the level of satisfaction of a stakeholder group \( i \);
- \( n \) – number of stakeholder groups.

To see the effect of a partnership with an NGO on each stakeholder group, the SSI will be calculated for each stakeholder group in years before, during, and after a partnership.

5.3. Data analysis

Data analysis aimed to test the **hypothesis 1** will include two phases.

In the first phase, a simple regression analysis will be conducted to find a relationship (if any) between overall SSIs per firms and partnerships with NGOs. NGOs as a stakeholder group and a stakeholder group represented by an NGO are expected to be salient for the company, and, therefore, will be excluded from the SSI in this phase.
In the second phase, a simple regression analysis will be conducted to find a relationship between the partnership and the SSI per stakeholder group in years before, during, and after the partnership. This will allow to trace the variability of stakeholder satisfaction degrees per stakeholder group.

Expected outcomes are the following:

- If shareholders’ and financiers’ interests are attended to a greater extent in years in which there was a partnership than in years in which there was not, then there is evidence to suggest that the partnership is seen by firms as a profit-maximizing tool;
- If consumers’ interests are attended to a greater extent in years in which there was a partnership than in years in which there was not, then there is evidence to suggest that the partnership is viewed by companies as philanthropic activism aimed at attracting customers (Baron, 2009);
- If the fair balance of stakeholders’ interests is achieved, then there is evidence to suggest that the partnership is viewed by the company as part of the normative stakeholder social contract.

Recognizing that a partnership with an NGO is not a sole factor accounting for stakeholder satisfaction, control variables for each stakeholder group will be identified to observe the effects of other variables on a bivariate relationship between a SSI and a partnership. This will be done through the multivariate analysis called ‘elaboration’. The analysis involves restricting the distributions of third variables from varying by sorting sample cases as per their score and subsequently observing the relationship between a SSI and a partnership for each score of a third variable (Healey, 2005: 434). The produced so-called partial tables will show a partial gamma
for third variables which shows existence and direction of a relationship. The partial tables will allow to detect the effects of control variables on the investigated bivariate association, namely to identify whether the relationship is direct, spurious, or interactive (Healey, 2005: 436).

To test hypothesis2, a sample of business-NGO partnerships will be divided into those occurring in developing and developed countries.1 The obtained results will then be compared in order to discover any differences in the traced process.

1 The United Nations Development Programme’s (UNDP) Human Development Report will be used for determining developing and developed countries.
References


Appendix: Clarkson’s Entry of CSP Issues

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder issue</th>
<th>Description</th>
<th>Performance data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company</td>
<td>1.1 Company history</td>
<td>A brief summary of the company’s history including details of the company’s principal products or services, total sales and assets, number of employees, and ownership or control. Foreign business operations, if applicable. Analysis of the current stage of company growth.</td>
<td>Significant events of recent years, such as acquisitions and divestitures.</td>
</tr>
<tr>
<td></td>
<td>1.2 Industry background</td>
<td>Significant characteristics of the industry (industries) in which the company participates.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3 Organisation structure</td>
<td>The basic structure of the organisation and its relationship to the management of social and ethical issues. The role of the Board of Directors, its composition (insiders; outsiders)</td>
<td>If the structure is new, how successful has the implementation been? Have the stated goals of the restructuring been met?</td>
</tr>
<tr>
<td></td>
<td>1.4 Economic performance</td>
<td>Measures of performance appropriate to the industry. Economic performance objectives set for the company.</td>
<td>Performance based on industry appropriate measures for the preceding five years compared with the performance of competitors and with the company’s stated economic objectives.</td>
</tr>
<tr>
<td></td>
<td>1.5 Competitive environment</td>
<td>A description of the state of competitive evolution in the industry (i.e., introduction, growth, shakeout, maturity). Identification of key competitors, and the company’s relative size and strength. Degree of exposure.</td>
<td>Changes in size or strength relative to the competition.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
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<tbody>
<tr>
<td>1. Company (continued)</td>
<td>1.6 Mission or purpose</td>
<td>A statement of corporate mission or purpose and description of its linkages to planning, operations, and performance. Reference to social and ethical concerns. Processes for communicating mission or purpose statement inside and outside the company.</td>
<td>Evidence of linkages and communication.</td>
</tr>
<tr>
<td></td>
<td>1.7 Corporate codes</td>
<td>Codes of ethics, conduct, or practice, statement of values, principles, and ground rules. Programs or processes for communicating both inside and outside the company. Provision for discussion of ethical issues, codes, and values in the employee introduction and training process. Systems of compliance. Linkages with planning, operations, performance assessment, and compensation.</td>
<td>Evidence of compliance. Evidence of linkages with planning, operations, performance, assessment, and compensation (e.g., data on incidents, frequency of training, numbers of employees seeking guidance on ethical issues). Consistency of operational decisions with the stated corporate values, policies, and codes.</td>
</tr>
<tr>
<td></td>
<td>1.8 Stakeholder management and social issues management systems</td>
<td>Processes and systems for scanning, analysing and managing emerging stakeholder and social issues at the corporate level (including the role of the Board) and at the divisional, regional, and functional levels. These processes include the integration of such issues into strategic planning and policies, and into operations, including objective setting and performance appraisal and assessment.</td>
<td>Effectiveness of response to emerging issues, including perception in press and industry of leadership level. Evidence of integration.</td>
</tr>
<tr>
<td>2. Employees</td>
<td>2.1 General policy</td>
<td>General philosophy, objectives, code of practice, policies, and performance assessment process.</td>
<td>Data about employee attitudes, satisfaction, etc. Results of employee satisfaction surveys.</td>
</tr>
<tr>
<td></td>
<td>2.2 Benefits</td>
<td>Employee benefits program.</td>
<td>Scope and scale relative to industry.</td>
</tr>
</tbody>
</table>

*Continued*

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<tr>
<td>2. Employees (continued)</td>
<td>2.3 Compensation and rewards</td>
<td>Objectives of compensation/reward system; linkage to employee performance on social and stakeholder issues.</td>
<td>Level of compensation relative to industry group. Ethical neutrality of compensation/reward system. Evidence of linkage to performance on social and stakeholder issues.</td>
</tr>
<tr>
<td></td>
<td>2.4 Training and development</td>
<td>Employee training and development, including job retraining, literacy.</td>
<td>Dollars spent per annum, numbers of employees involved/annum, time spent/employee/annum.</td>
</tr>
<tr>
<td></td>
<td>2.5 Career planning</td>
<td>Career planning programs and policies including lateral transfers and internal promotion.</td>
<td>Utilisation of programs. Percentage of transfers and promotions that are internal.</td>
</tr>
<tr>
<td></td>
<td>2.6 Employee assistance program</td>
<td>Services available.</td>
<td>Utilisation rate, data on job-related cases.</td>
</tr>
<tr>
<td></td>
<td>2.7 Health promotion</td>
<td>General policy, including commitment of senior management to a balanced lifestyle for employees, and programs offered.</td>
<td>Budget allocated, utilisation rate.</td>
</tr>
<tr>
<td></td>
<td>2.8 Absenteeism and turnover</td>
<td>Performance objectives, programs and policies. External and internal factors affecting absenteeism and turnover.</td>
<td>Absenteeism and turnover data, relative to industry group(s).</td>
</tr>
<tr>
<td></td>
<td>2.9 Leaves of absence</td>
<td>Policies on leaves of absence (e.g., childbirth, adoption, sabbatical, political office).</td>
<td>Utilisation rates, comparison of policy to industry practice.</td>
</tr>
<tr>
<td></td>
<td>2.10 Relationships with unions</td>
<td>Specific policies regarding unions, historical experience and traditional stance.</td>
<td>Comparisons with industry practice. Record of complaints, frequency of job actions, legal proceedings, etc.</td>
</tr>
<tr>
<td></td>
<td>2.12 Termination, layoff and redundancy</td>
<td>Policy and practice regarding terminations, layoffs, and plant closures, job security, retraining, job restructuring, early retirement, advance notice of closures.</td>
<td>Number of employees per annum terminated or laid off over the last five years. Layoff frequency. Industry comparisons.</td>
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</thead>
<tbody>
<tr>
<td>2. Employees</td>
<td>2.13 Retirement and termination counselling</td>
<td>Retirement and termination counselling programs.</td>
<td>Utilisation rates, budgets, and staffing allocated.</td>
</tr>
<tr>
<td></td>
<td>2.15 Women in management and on the Board</td>
<td>Stated policies and objectives regarding women in management and on the Board.</td>
<td>Recent data on numbers of women in management and on the board, including length of service and proportion by level and functional area.</td>
</tr>
<tr>
<td></td>
<td>2.16 Day-care and family accommodation</td>
<td>Provision for day-care and other responses to accommodate family needs.</td>
<td>Utilisation rates, data from employee satisfaction surveys, commitment to funding programs.</td>
</tr>
<tr>
<td></td>
<td>2.17 Employee communication</td>
<td>Communication processes both to and from employees. Examples of communication from employees are: ‘open door’ to management, employee suggestion process, including incentives, confidential reporting process (e.g., an ‘ombudsman’), policy and process to encourage employees to raise ethical concerns, including ‘whistle blowing’ protection.</td>
<td>Utilisation rates and pattern. Results of employee satisfaction surveys.</td>
</tr>
<tr>
<td></td>
<td>2.18 Occupational health and safety</td>
<td>General philosophy, code of practice, policy and program, including employee training and performance appraisal, emergency response and monitoring or auditing procedures. Level to which assessment data are reported. Key issues and specific policies and programs of particular importance.</td>
<td>Details of awards; legal or others disciplinary actions against company, accidents and lost days data, workers compensation industrial disease and injury data. Evidence that data are reported to levels specified. Rating by the International Safety Rating System, if applicable.</td>
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<td></td>
<td>2.19 Part-time, temporary, or contract employees</td>
<td>Policy. Access to programs and benefits.</td>
<td>Evidence of access.</td>
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<tr>
<td>2. Employees</td>
<td>2.20 Other employee or human resource issues</td>
<td></td>
<td>Significant changes in the nature of shareholding (e.g., individual, institutional, nationality) and ownership. Record of share prices, market activity.</td>
</tr>
<tr>
<td></td>
<td>3.2 Shareholder communications and complaints</td>
<td>Policy and programs.</td>
<td>Record of issues raised. Response compared with policy, nature of resolution.</td>
</tr>
<tr>
<td></td>
<td>3.3 Shareholder advocacy</td>
<td>Policy regarding advocacy issues raised by shareholders.</td>
<td>Issues and their resolution. Regulatory proceedings.</td>
</tr>
<tr>
<td></td>
<td>3.4 Shareholder rights</td>
<td>Policy and program.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.5 Other shareholder issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.2 Customer communications</td>
<td>Process for communicating policies and programs to customers. Policy on customer's 'need or right to know.' Policy on advertising and marketing.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.3 Product safety</td>
<td>Product safety policy, research and development program, and customer education.</td>
<td>Spending levels of safety programs and data on problems with products, including legal proceedings. Description of company response to problems.</td>
</tr>
</tbody>
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<tbody>
<tr>
<td>4. Customers (continued)</td>
<td>4.4 Customer complaints</td>
<td>Policies and processes including utilisation and satisfaction measures. Level in the organisation at which complaints are handled and reported.</td>
<td>Pertinent episodes in recent past. Utilisation and satisfaction rates. Evidence that complaints are handled at and reported to the designated of the organisation. Legal proceedings.</td>
</tr>
<tr>
<td>4.5</td>
<td>Special customer services</td>
<td>Special services for disabled persons, elderly, youth, etc. Attention to issues of access (e.g., visual, hearing, physical).</td>
<td>Levels of spending. Utilisation rates. Record of consumer complaints or pressure.</td>
</tr>
<tr>
<td>4.6</td>
<td>Other customer issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Suppliers</td>
<td>5.1 General policy</td>
<td>General philosophy, policies, programs, and performance assessment process. Influence of social issues on choice of relationship with suppliers. (‘Suppliers’ is intended to include third party contractors, and financiers.)</td>
<td>Record of consistency between practice and policy. Complaints from suppliers. Legal proceedings.</td>
</tr>
<tr>
<td>5.2</td>
<td>Relative power</td>
<td>Given the industry and the business system, a characterisation of the power balance between the company and its suppliers.</td>
<td>Effect of relative power of social performance of both the company and the suppliers.</td>
</tr>
<tr>
<td>5.3</td>
<td>Other supplier issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Public stakeholders</td>
<td>6.1 Public health, safety, and protection</td>
<td>Policies, code of practice, objectives, and programs including employee training and performance assessment. Extension of policies to suppliers, distributors, and customers, domestically and internationally. Description of emergency response plan, monitoring and auditing procedures for environmental protection. Level to which data are reported. Policy on disclosure of incidents and audits.</td>
<td>Evidence that data are reported to designated level. History of complaints and offences. Legal proceedings. Effectiveness of follow-through on planned responses to emergencies. Degree of government pressure required prior to policy change. Timing of decisions relative to public relations crises. Comparison with performance of competitors.</td>
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<tbody>
<tr>
<td>6. Public stakeholders (continued)</td>
<td>6.2 The conservation of energy and materials</td>
<td>Policies, objectives, and programs including employee training and assessment. Auditing process. Adoption of reject-reduce-reuse-recycle hierarchy for energy and material use and waste management, and commitment to treatment before disposal for hazardous wastes. Extension of policies to suppliers, distributors, and customers.</td>
<td>Data on quantity of materials saved, changes in consumption, reduction in wastes produced, etc. Comparison with performance of competitors. Related R&amp;D expenditures.</td>
</tr>
<tr>
<td></td>
<td>6.3 Environmental assessment of capital projects</td>
<td>Process for incorporating environmental principles into capital project assessment (construction, operations, and closure). Performance assessment of the process.</td>
<td>History of success or complaints on capital projects. Congruence of accepted projects with stated values with respect to the environment.</td>
</tr>
<tr>
<td></td>
<td>6.4 Other environmental issues</td>
<td>Programs such as 'green' products or services. Innovations in control methodologies and policy on dissemination of these developments.</td>
<td></td>
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<tr>
<td></td>
<td>6.5 Public policy involvement</td>
<td>Direct or through industry associations. Policy and processes that give the company a role in the formation of public policy. The role of the Board of Directors.</td>
<td>Specific policy involvement and record of participation. Comparison with other companies in the industry.</td>
</tr>
<tr>
<td></td>
<td>6.6 Community relations</td>
<td>Community liaison and communications programs and policies, including stakeholder consultation on decisions which effect the community. Performance assessment process. Specific benefits and consideration of the local community (i.e., local hiring, business opportunities, emergency response programs, plant closings).</td>
<td>Record of stakeholder consultation. Value of benefits to community.</td>
</tr>
</tbody>
</table>

*Continued*

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<tbody>
<tr>
<td>6. Public stakeholders (continued)</td>
<td>6.7</td>
<td>Social investment and donations</td>
<td>Specific social investment policies and programs, including corporate donations (financial, 'in-kind' and use of facilities) and the allocation formula for same, employee involvement in community service and expectations of same in job descriptions and performance appraisal: corporate sponsorship. Performance assessment process.</td>
</tr>
<tr>
<td>7. Competitors</td>
<td>7.1</td>
<td>General policy</td>
<td>General philosophy, policies, programs and performance assessment process. Given the industry and the business system, a characterisation of the power balance between the company and its competitors.</td>
</tr>
</tbody>
</table>